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Main

FOREIGN AGRICULTURE

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CAP—
DISCORDANT NOTES
IN THE EUROPEAN
COMMON MARKET

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

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This week's cover:

Mounting surpluses in the Common Market disturb government, consumers, and farmers such as this French fruit merchant with many more peaches than she can hope to sell. See story beginning this page.

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CAP—Discordant Notes in

The Common Agricultural Policy (CAP) of the European Community—the machinery for merging agricultural production and marketing policies of all EC nations—is now in its seventh year. In the course of this time, it has changed agricultural policies and programs in scope, form, and content, but it has failed to cure the ailments of the European farmer—in fact, it has accentuated some of them.

The CAP has provided a protective umbrella to Community producers but has not given them incomes equal to those earned in the cities. It has served as a barrier to imports from nonmember countries—much to the consternation of those countries and to the detriment of liberal trade policies—but many importers still prefer to buy "outside." Plans to use surplus sugar and wheat in animal feeds have been thwarted by farmers and feed manufacturers who hesitate to change livestock rations. Consumers wonder why they must pay over $1 per pound of butter, while it has been offered to foreign countries at less than 20 cents, and the butter surplus threatens soon to exceed storage capacity. Individual governments look with alarm at the growing cost of the CAP, and some balk at paying so much into a fund that benefits them so little.

So the state of harmony once envisioned by the six European Community members has yet to be realized, while the notes of discord are becoming increasingly louder.

Foreign Agriculture has asked U.S. agricultural attachés in the Six to report on the problems of the CAP as they see

Below, in the Netherlands excess tomatoes end up as livestock feed; right, a sample of grain is drawn from German river barge—one of the emergency storage facilities for surplus grain.

es in the European Common Market

them and our attaché to the European Community to describe the workings of the CAP.

Ernest Koenig from EC headquarters, Brussels

The Common Agricultural Policy is an integral part of the European Community as established by the Treaty of Rome. Implemented for 1962 onwards, the CAP covered at first a limited number of farm products and consisted of identical methods of support and protection in each Member State but different national support prices and, hence, different levels of protection against third countries. During 1967 and 1968 a unified market and foreign policy was adopted for major commodities with a few exceptions such as wine, tobacco, and fish. By 1969, it covered about 95 percent of the EC's farm output and provided for uniform support prices, import protection, and export subsidization.

The CAP was originally conceived as an all-embracing farm policy aiming equally at technological progress, market equilibrium, and adequate farm incomes. In practice, it has relied primarily on prices to guide production and sustain farm income. Structural policies have thus far remained largely the responsibility of Member States.

Agreement on the CAP was the outcome of difficult negotiations between the often-conflicting interests of the Member States. Compromises were almost always based on the optimum protection existing in any one Member so that the Community levels of protection and support are usually much higher than those heretofore applied nationally. Thus, the CAP today has support prices exceeding in many cases the world market price by 100 to 300 percent. Excessive import protection and unrestrained export subsidization are pendants to this price policy.

On an international scale, the Community's agriculture is comparatively inefficient in crop production but reasonably efficient in the areas of livestock production. But the CAP price structure encourages production of crops to the detriment of meat products.

Such a system can work if domestic supply is inelastic and as long as self-sufficiency is not attained. However, introduction of modern agricultural technology, made possible by the high prices under the CAP, has led to a surge in farm output. This output is now growing at an annual rate of 3.3 percent or more while consumption of farm products is increasing by only 1.9 percent annually. The Community therefore is accumulating surpluses to an ever-increasing extent. It produces dairy products, sugar, soft wheat, and certain fruits and vegetables far in excess of its own requirements and has reached full self-sufficiency in pork and eggs.

In the absence of production control (except for sugar) the high price levels can be maintained only if the Member States can finance the rapidly rising costs of the CAP programs. These costs, estimated at $2.5 billion during the current crop year, are expected to rise to about $3 billion in 1969-70 and may reach $5 billion in 1980. And this represents only about half of total expenditures for agriculture. The other 50 percent—for land improvement, farm amalgamation, research, etc.—is being almost exclusively borne and spent by individual Member States.

Thus, the CAP has reached a turning point. Cognizant of the impossibility to continue the CAP in its present form, Dr. Sicco Mansholt, its chief architect, has declared, "It is now evident that this policy has narrow limits beyond which markets become disorganized entailing insupportable social costs without improving in any way the lot of the farmer."

Dr. Mansholt, therefore, has proposed a fundamental reform of the Community's agriculture in the belief that if this reform were accomplished the Community's farm structure would be so improved that by 1980 basic equilibrium of the Community's farm market would be reestablished.

According to the plan, which is now before the EC Council, the active agricultural labor force would be reduced 50 percent between 1970 and 1980. The number of farms would be drastically curtailed, and the size of remaining farms greatly increased. Farmers leaving agriculture would be

partly retired, partly shifted to nonagricultural occupations, and 5 to 7 percent of the present agricultural land would be withdrawn from production. (See *Foreign Agriculture*, Dec. 2, 1968.)

To cope with immediate short-term problems, Mansholt proposes a large reduction in dairy herds, a change in the dairy support price, a tax on oil and oil cakes (the latter to increase the costs of dairy production), and a modest reduction in the support prices for wheat and barley, sugar, and domestic oilseeds.

Robert C. Tetro from Rome

The Common Agricultural Policy might well stand for Common Agricultural Problems. Today each of the member countries is experiencing problems of high production costs, accumulation of surpluses, depressed prices, and in some instances dumping and destruction of agricultural products. Italy is no exception.

Corn is a valuable export for the United States and badly needed by Italy to increase livestock numbers and meat production. Today, however, the CAP seems to be working against Italy in its struggle to attain self-sufficiency in this area. The intervention prices for corn are already high, and production points upward. There is serious talk of raising these supports further, and if this should happen many Italian livestock farmers will find it to their advantage to shift into corn production.

Traditionally, Italy has been the supplier of the bulk of the fresh fruit consumed in West Europe. However, French apples and peaches have recently been competing with those from Italy. During 1968, an estimated 300,000 metric tons of Italian apples were diverted to the alcohol industry, while an additional 80,000 tons of apples, pears, peaches, and oranges were destroyed. A number of factors were responsible for this overproduction. Certainly, the high support prices within the Six, which encouraged French growers to maintain traditional production patterns, was a contributing factor.

Italy is now more than self-sufficient in soft wheat, but in the absence of acreage controls and continued high supports, output remains high. Much the same situation exists for sugar production. Italy is not self-sufficient in dairy products, and milk production costs are the highest in the EC. High feed costs, too many small farms, and a need for higher producing animals add to the burden of the industry. Yet it is difficult to institute change at a time when individual producers receive high prices for what they do produce. Olive oil, which is unique to Italy, even receives the benefit of the CAP umbrella and increasing protection from the competition of seed oils.

A CAP for tobacco is now being formulated. Like the other CAP's, this will probably be a case of high incentive payments to farmers, no acreage controls, and will include a special premium to processors that use Community production. Such a program would undoubtedly give rise to an immediate increase in traditionally low-quality Italian tobacco.

This is not to say that the CAP has been all bad for Italian farmers. Far from it. The CAP system of price supports, variable levies, and overprotection from imports has resulted in a general increase in farm income and thereby provided the resources and initiative, in some sectors, to modernize and expand productive capacity. However, the programs in operation today were initiated about 15 years ago when a real need existed for an immediate increase in production of all food and fiber crops. During the 10 years the EC has been in existence, there have been tremendous changes in production, consumption, and trade patterns and the appearance of "abandoned" farmland for the first time in Italian history.

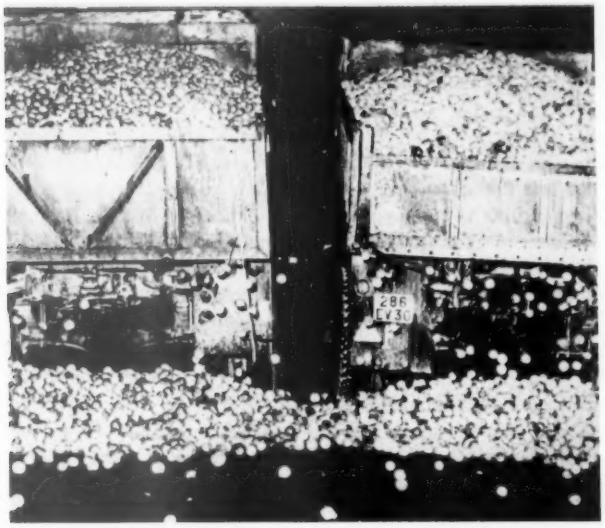
Today the Community must face up to the problem of revising its policies to fit current conditions. For Italy, this means modernization of both production and distribution, particularly the latter, and training and reemployment programs for up to half its present farm population. With most laws and politicians still aiming at "keeping them down on the farm," Italian agriculture is in for a real crunch.

Thomas E. Street from Paris

The French, the EC's major agricultural producers and heavy contributors to today's surpluses, appear little happier than the rest of the Community over results of the CAP.

"Each month we are afraid to look at the butter production and stock figures," say officials of the French Government agency charged with handling the ever-mounting butter problem. "It makes no sense to pay public funds to destroy fruit in order to try to maintain a price which still does not bring an adequate income," say officials of the Ministry of

Milk cans, shown here at a central collecting point in France, symbolize the dairy problem of the EC and of France in particular. Dairy products, especially butter, have been building so rapidly that they threaten to soon exhaust available storage facilities.



Above, French farmers protest low pear and peach prices by dumping the products on a major highway. Right, traffic drives through products.

Agriculture. There is an "urgent necessity to make preparations for year-end carryover of stocks [wheat], possibly in considerable quantities," says the French Delegation to the Consultative Committee for Grains at Brussels. (In view of the export outlook for wheat, it is possible that France could have a carryover of 2 million tons over and above last year's 1.2 million.)

"The support of agricultural markets could cost the Treasury nearly $2 billion in 1970 (20 times more than in 1956)," comments the newspaper *Le Monde*, "and this could begin to menace the economic balance of the country."

In presenting the budget for agriculture in 1969 to the National Assembly, the floor manager noted that the costs of supporting the French agricultural market will rise from the $1.2 billion of 1968 to $1.5 billion this year, of which nearly half will be used only for dairy products. He mentioned, too, that part of the total costs could be reimbursed by resale of stocks (although this is becoming more and more problematical, given the situation of glutted world markets); and part could be reimbursed by payments from the European agricultural fund (FEOGA).

The big increase in support costs for dairy products is the result of the very rapid expansion in French milk production, up 61 percent in 4 years. This has, in turn, resulted in nearly an eightfold increase in the butter and dry milk surpluses since 1964.

The floor manager for the appropriation bill noted that, "As of now, the aid theoretically going to milk producers in fact goes to foreign consumers or is absorbed by constantly increasing storage costs . . . This looks offhand like economic nonsense when the buyer is an industrialized country of a comparable economic level which can thus reduce the food expenses of its population and correspondingly reduce its salaries and production costs. The end result is that the assistance given to the export of agricultural products serves to subsidize foreign competition in industry."

Another example of economic nonsense was given by a producer of mixed feeds who noted that use of tallow in mixed feed was suffering competition from butter sold at greatly reduced prices as a means of disposing of the surplus. He said, "First you take the milk from the calf and make butter out of it; then you turn around and put the butter in a milk replacer and give it back to the calf, having spent an awful lot of money in the meantime."

As one means of reducing excess stocks of butter, the Minister of Agriculture announced a free distribution at Christmas last year of a pound of butter to each of the 2.6 million needy people in France. This provided for disposal of 1,300 tons of butter out of the 190,000 tons in cold storage. It may have been also a prelude to other forms of disposal, including distribution of commodities through a system modeled after the Food Stamp Program in the United States. Also, the Ministry of Agriculture has sent in a request to Brussels for authorization to deliver butter at reduced prices to institutions, such as universities, government ministries, and hospitals.

George A. Parks from Bonn

The EC agricultural policy and its future development is now a major topic of discussion here in Germany. Government officials, businessmen, and taxpayers in general have been looking with growing concern at the spiraling costs, which have been especially pronounced in the past 2 years. Current proposals for agricultural reform presented by Commission Vice President Mansholt have added further fuel to the fires of argument, striking at basic concepts of German farm life and proposing to add still more commodity measures to those already in force.

Evidence of growing official concern over rising costs of the CAP were clearly expressed by the German Under Secretary of Finance in an official release of September 20, 1968. He pointed out that by 1969-70 the cost of the CAP will probably have risen to more than 80 times the 1962-63 level.

The Under Secretary noted that Germany, a highly indus-

trialized country with a large agricultural deficit, pays about three times as much into the EC Agricultural Fund as it receives whereas France, with large agricultural surpluses, receives twice as much as it contributes. There are indications that in the future Germany may be unwilling to bear the financial burden of a 31-percent contribution versus receipts of 15-18 percent. According to the Under Secretary, Germany favors limiting expenditures under single-market regulations and placing a ceiling on EC fund contributions.

Notwithstanding the reference to surpluses elsewhere in the EC, and the considerable attention being given here to costs of the CAP, Germany itself has not been spared the problems of its own overproduction. Currently, the Import and Storage Agency has about 85,000 metric tons of butter in storage, or more than double the amount at the end of 1964. Butter stocks are expected to reach 100,000 tons early in 1970. Sugar problems are mounting, with the result that large quantities are subsidized into livestock feeding. Also, by the end of 1968, the Import and Storage Agency had acquired about 1.3 million tons of grain from the bumper 1968 crop. These acquisitions, of which two-thirds is wheat, compare with only approximately 150,000 tons acquired by the end of December 1967 from that year's crop.

The CAP is, of course, an important factor in the surplus problems now facing the EC. However, there are also other factors contributing to the current dilemma. For example, German grain prices were actually reduced by about 12 percent under the common agricultural grains policy, but protection and technological developments combined have contributed to ever-increasing grain yields. These developments include increased mechanization, plant protection, and heavy application of fertilizers in addition to variety improvement. The result has been an increase in grain yields per acre approximating 2 percent annually. Similarly the yields of milk per cow continue to increase at a rate of about 1.5 percent annually and thereby contribute to the dairy surplus.

Germany, being traditionally a major agricultural importer, has not been especially well equipped to store the relatively large stocks of grain and other farm products which the government is forced to acquire to support the market. Farmers have been asked to store grain on farms because of lack of storage facilities; many temporary storage units have been built; and even river barges, plastic tents, and storage facilities in neighboring countries have been utilized. Also, the normal problems of handling the record 1968 crop were further accentuated by the widespread rumors last fall of possible revaluation of the Deutsche mark, which prompted large off-farm deliveries.

The recent announcement of the new Mansholt proposals for EC agriculture has brought with it a completely new round of speculation as to the future of European agriculture. Here in Germany one sees not only government concern but also division of opinion, even among farm groups, regarding Mansholt's ideas. The differences among farmers are primarily about the proposed structural reforms, with older farm leaders taking a very negative attitude toward structural changes and large-scale movements of people off farms and young farmer groups taking a more liberal attitude. However, there is no discernible difference when it comes to prices. Farm groups all seem to want to continue or increase the existing high price levels and to maintain and expand protection against outside competition.

Harold L. Koeller from Brussels

Belgian farmers are critical of many aspects of the Common Agricultural Policy even though many of them have benefited from the higher prices resulting from it. On the other hand, the government has become increasingly critical of the growing cost of supporting farm prices at the EC-established levels and has indicated that new programs calling for additional expenditures will be approved with difficulty. In fact, Belgian Minister of Finance Snoy has taken the lead within the EC in calling attention to the unbearable burden to the FEOGA of price support and other subsidy programs.

Belgian agriculture is predominated by small dairy farms, so Belgian Minister of Agriculture Heger voted for a high EC milk price, believing that without a fair price small milk producers couldn't make a living. However, officials realize that the cost of supporting the milk price through storage of surplus butter and subsidization of most dairy product exports may very well be the factor forcing a change in the whole CAP. Also, despite the EC price support, the Belgian dairy industry is facing great difficulties in marketing its production of cheese; imports from other EC countries, especially the Netherlands, have been increasing, and stocks have been accumulating in dairy plants.

Grain producers have benefited from higher grain prices under the CAP for grains, and sugarbeet growers have reaped a bonanza from the higher prices forced on Belgium and France in order to protect less efficient producers in Italy and Germany. Nevertheless, since most Belgian farmers feed their home-produced grain and buy imported grain or mixed feeds as well, they would prefer higher livestock prices or lower grain prices in order to make feeding more profitable. In fact, many farmers would like to feed grain to cattle for producing high-quality beef, but the feed/cattle price relationship is not favorable. Yet, if surplus milk production is to be eliminated to some extent by shifting to beef, lower grain prices seem imperative. At the same time, the government pays a subsidy to feed manufacturers to put surplus sugar in mixed feeds.

During the past years, and especially since 1967, Belgian fruit growers have faced surplus disposal problems. Lack of adequate marketing techniques and growing competition from other EC countries (mainly France) have been the major contributing factors. In order to support prices, about 10,000 tons of low-quality apples were withdrawn from domestic markets and destroyed during the 1967-68 marketing year. In the current year, over 20,000 tons of pears have thus far been destroyed. The fruit is transported from auction markets to garbage disposal dumps where it is destroyed by bulldozers. In view of widespread hunger in the world today, this action has been strongly criticized by consumer representatives and the press.

Belgian consumers are contributing by way of higher food prices a substantial sum to the implementation of the CAP, which is partially financed from levies on imported agricultural products. Current prices of food products, which are generally considered too high, are continuing to increase at an average rate of 4 percent per year. Moreover, as of January 1, 1970, Belgium will adopt the EC system of tax on the added value; this is already in effect in the other EC member countries. This shift from the current national system to the new common system may have a detrimental effect on

living standards since it is expected to increase prices of food products by 8 to 10 percent.

(Note. Luxembourg agriculture is generally similar to Belgian agriculture with small dairy farms predominating. Thus, many of the problems facing Luxembourg farmers and attitudes toward the CAP are about the same as in Belgium.)

Brice K. Meeker from The Hague

The Netherlands has done very well out of its membership in the European Community. In fact, the economic benefits accruing to this small agricultural and trading nation have, quite possibly, been greater relative to the size of the population and the magnitude of the economy than in any other member of the Six. The degree of this success can be measured in many ways, with one outstanding yardstick the surge of industrialization in the past decade.

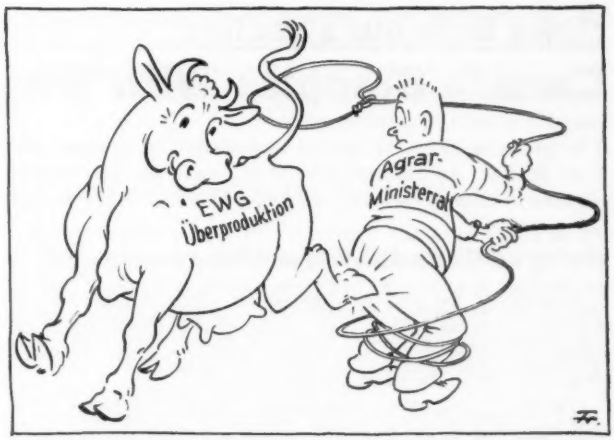
Agriculturally, the pull of the Community can be seen in the redirection of exports. Whereas some years ago the Netherlands sold two-thirds of its agricultural exports in third countries and only about a third in the other members of what is now the EC, the present situation is almost a reversal of that pattern. Now the Netherlands sends some 60 percent of its agricultural exports to EC partners and about 40 percent to third countries.

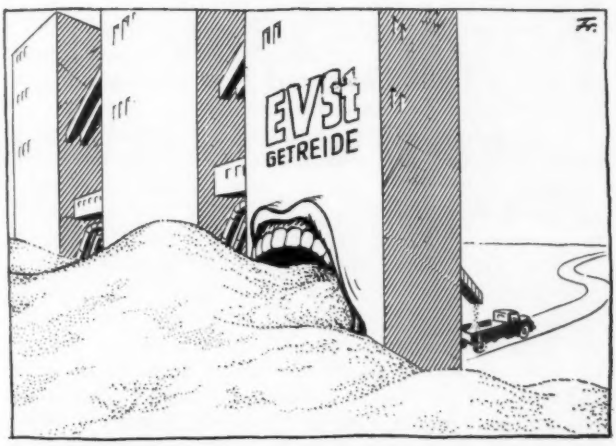
Does then the Netherlands have problems originating in the field of the CAP? The answer, of course, is yes. But problems is not a sufficiently comprehensive word to describe the Dutch difficulties and worries about Community developments. There are, in the first place, areas of economic awkwardness which are consequences of the existing CAP's. Secondly, there are attitudes toward broader policy questions that, while not uniquely Dutch, find more widespread and definite expression here than in other EC members.

The foremost commodity problem of the EC—milk and milk products (especially butter)—is of vital interest to the Dutch. The butter surplus alone now totals around 300,000 tons, with the Dutch share of this about 46,000. To help solve this problem and reduce dairy support costs, the Dutch would be willing to see some reduction in milk prices. However, the Ministers of Agriculture in other member countries are, for political reasons, adamantly opposed to a reduction.

And though the Dutch do worry about the mounting cost of the dairy CAP, their farmers are doing very well at the EC level of milk prices; moreover, their exporters sell an increasing volume of cheese in France and Belgium and also draw restitutions (subsidy payments) from FEOGA on dairy product sales to third countries.

Outside of the mounting cost factor of the EC system as a whole, the Dutch have comparatively few economic difficulties, either in adapting to or taking advantage of the system. As a conversion agriculture, the country naturally finds the high cost of grains under the EC grains CAP distasteful. However, its geographic position and technically sophisticated mixed feed industry gives the country considerable advantages over other members in the ability to substitute other, and cheaper, feed ingredients for high-cost grains. Moreover, the Dutch cheerfully export their own wheat, with a substantial restitution, to the United Kingdom for use as feed wheat and then utilize relatively cheap denatured EC wheat for their own compounding. They also take advantage of the surplus sugar in the Community by feeding large quantities of denatured refined sugar.





Cartoons from Hanover paper Ernährungsdienst *depict EC surplus problems. Top one shows Council of Ministers trying to get a hold on overproduction; lower one shows a mountain of grain moving into storage against a trickle moving out.*

In short, although a member of the Community and thus sharing the responsibilities and fiscal burdens of the EC's high-cost agricultural policy, the Dutch also shrewdly and skillfully use the system to their own benefit and to strengthen their own competitive position vis-a-vis other EC producers.

But while faring quite well as an EC member, the Dutch—as a nation with a long trading history and an accompanying tradition of accommodation to other interests—find the principles upon which the CAP are founded to be alien to their outlook. Despite the considerable redirection of their agricultural trade from third countries to other members of the Community, a substantial proportion of Dutch exports is still to non-EC destinations.

So the Dutch worry about the extreme protectionism of the Community and about the ultimate consequences of the Community's policy of subsidizing agricultural exports. With proportionally more at stake, at least in the field of agriculture, they visualize themselves as being caught between the upper millstone of the dominant powers of the Six and the nether millstone of angry third country trading partners, particularly the United States.

News from our attaches

Canada Grapples With Wheat Tie-ups and Big Stocks

The following items of special agricultural information are from the U.S. Agricultural Attaché and Assistant Agricultural Attaché in Ottawa.

Delayed Canada Wheat Movements

Vancouver, the port through which wheat is exported on Canada's west coast, now has a congested harbor because of delays in loading grain onto waiting carriers. Some Japanese ships have been idle since December 1968.

Canadian grain sellers are having difficulty collecting suitable quantities of dry wheat of certain grades and types, such as Manitoba No. 2, which Japan wants to buy.

In the meantime, Japanese officials are becoming disturbed by the shipping delays. The Japanese Food Agency, according to local Canadian newspapers, plans to bring a protest before officials of the Canadian Wheat Board.

In late January the Canadian House of Commons held a 6-hour emergency debate on the delays in grain shipments. Canadian Government officials were accused of mismanagement in not moving enough dry wheat of the proper grades to Vancouver to fill the waiting ships. Canada's Minister of Industry, Trade, and Commerce, however, claimed that the grain bottleneck resulted from an unexpected high demand for Canadian wheat and the desire to move as much tough, wet grain as possible to Vancouver's terminals for drying. He also said that unusually low winter temperatures have aggravated the problems of procuring suitable dry grain. (See two articles on page 6, *Foreign Agriculture*, January 6, 1969, for previous discussion and background information on the Canadian damp grain situation.)

—Based on dispatch from ALFRED R. PERSI
Assistant U.S. Agricultural Attaché, Ottawa

Canada Grains Council Begins Career

The Canada Grains Council—one of the organizations Prime Minister Trudeau promised to set up—became a reality in January 1969 with the appointment of A. M. Runciman as its chairman. Mr. Runciman, former president of United Grain Growers Company in western Canada, is expected to serve a 2-year term on the Council.

At a February meeting George Heffelfinger, former president of the National Grain Co., Ltd., of Winnipeg, was elected vice chairman. At the same occasion, 50 delegates and advisors appointed executives and approved terms of reference for the organization. It was decided that Council membership is open to all representatives of nongovernmental organizations or associations related to the grain industry. The appointment of members, however, will be made by the Federal Cabinet on the advice of the various organizations.

The Council has an executive committee of 12 members, whose first meeting was February 14, 1969. The Council itself is to meet twice a year, generally in Winnipeg, where it will maintain a headquarters and staff. But special committees may undertake specific assignments between Council meetings.

On June 2, 1968, Prime Minister Trudeau in his farm-policy statement called for the creation of such a body to further the government's objective to "secure 25 percent or better of the world wheat trade, or in quantitative terms, 1.3 billion bushels of wheat exports in the next 3 years."

The Prime Minister also indicated that the council would represent all facets of the grain industry. Government and industry representatives met last October to discuss the structure of the Council.

Since the Prime Minister's June statement, the farm press and government officials concerned have discussed varying views on the role of the Canada Grains Council. A general consensus emerged in these discussions that the objectives of the Council will be to promote research into various aspects of the grain industry, to evaluate Canada's short- and long-term export prospects, and to help promote grain exports.

Mr. Runciman, in an address in late January at the annual Farm and Home Week convention in Saskatoon, Saskatchewan, said "the proposed Canada Grains Council could become the most important influence in this generation on the production and marketing of grain crops in western Canada.

"Too frequently in the past," he said, "it has been difficult, or impossible, to get the whole grain industry to consider collectively a problem which seemed to be the exclusive responsibility of some specific segment of the industry.

"If the Canada Grains Council does no more than provide a forum for discussion of such problems, in a way that encourages full participation by everyone with knowledge to contribute, this function alone would fully justify its existence," Mr. Runciman said.

Mr. Runciman went on to outline six stipulations regarding the Council:

- At least one-third of the members should be farmers, or from farm organizations so that the organization would be farmer-oriented.
- The Council would be an advisory body only without any real marketing authority.
- It would report through the Prime Minister to the Privy Council, as does the Economic Council of Canada.
- It would be completely independent of political influence.
- The major financing would come from farmers, with the government and industry supplying less than 50 percent.
- Care would be taken not to encroach upon the functions of established farm organizations in developing and presenting policy recommendations to the government.

Suggesting research areas for the Council, Mr. Runciman said these could include sales method used by the United States—"and the reason for the continued inroads the United States has been making into traditional Canadian markets, especially in Europe and Japan"; the influence of subsidies on the welfare of the average commercial farmer; the merits of a two-price system for wheat; the advantages and disadvantages of the present quota system; production controls; terminal blending; reducing the number of grain grades; and the grain tariff structure.

—Based on dispatches from EUGENE T. OLSON
U.S. Agricultural Attaché, Ottawa

Ideas on Clearing Overloaded Granaries

Canada's Minister of Trade and Commerce, Jean-Luc Pepin, has announced the testing of a new shipping system for grain from the Prairie Provinces. The new plan was initiated because of the problems Canada has encountered this winter in moving grain to Vancouver, its west coast grain port. The plan will be tested during February and March.

The new plan will use 50 "shipping blocs" instead of the existing 2,000 shipping stations scattered across the country. Computers and unit trains may also be utilized. In general, the new plan will try to make grain handling more efficient, less costly, and better geared to exports.

The Minister also predicted that an export development bill would be introduced to the Canadian House of Commons later this year that would outline better financing conditions for developing nations that are potential customers for Canada's wheat.

He said that Turkey, Lebanon, and some Latin American countries were examples of nations that cannot afford to buy Canada's grain under existing credit arrangements. If Canada has the capacity to advance credit to such countries, he said, possibilities of trade would be much increased.

—Based on dispatch from EUGENE T. OLSON
U.S. Agricultural Attaché, Ottawa

Canadian Wheat Sales Outlook

Early estimates are that Canada's exports of wheat to developed countries in 1968-69 should reach 180 million bushels; exports to developing countries are expected to be about 50 million bushels. Good wheat harvests in the Soviet Union and East Europe will hold down Canada's exports to those areas. But Mainland China's import requirements will probably be greater than in 1967-68.

The general wheat outlook for 1968-69 foreshadows continued buildup of Canadian wheat stocks because domestic utilization plus exports is not expected to exceed 1968 production.

—Based on dispatch from EUGENE T. OLSON
U.S. Agricultural Attaché, Ottawa

Outlook Good for U.S. Agricultural Exports to Ecuador

The major agricultural imports of Ecuador are wheat, vegetable oils, tallow, tobacco and cigarettes, and purebred livestock. The United States is a major supplier to Ecuador of all these goods, and the outlook for sustained or increased levels of U.S. sales for most of these commodities is good.

Although Ecuador has tried hard to improve its self-sufficiency in wheat, so far the country's wheat output has not been able to overtake demand. Imports have been increasing. In 1968, about 67,000 metric tons of wheat were shipped into Ecuador according to preliminary estimates; in 1967 about 65,400 tons were imported. The U.S. share of the Ecuadoran market for the past 2 years has been nearly 90 percent.

Countries belonging to the Latin American Free Trade Association (LAFTA) have some advantage in wheat trade with Ecuador because of lower tariffs; but Ecuador still prefers to buy the bulk of its high-protein wheat from the United States. In general, the outlook for continued large U.S. wheat exports to Ecuador is good.

Sales of U.S. vegetable oils to Ecuador have dropped off in the past few years, chiefly because of increased competition from Western European countries, such as Denmark and the Netherlands. European exporters have reportedly been more willing to quote small-lot sales than have U.S. exporters. Imports of edible oils during the first 9 months of 1968 were 8,360 metric tons, of which the United States supplied 27 percent. The United States provided 58 percent of all edible oils imported in the previous 3-year period.

Another factor decreasing U.S. oil sales to Ecuador is increasing imports from other Latin American countries—palm oil from Paraguay and fish oils from Peru.

In addition, Ecuador is pushing its own output of edible oils. Extensive plantings of African oil palms are coming into production, and crops of other oilseeds are climbing. Ecuador could be self-sufficient in edible oils in 10 years.

The outlook for tallow imports from the United States remains generally good although Ecuador has tried to limit tallow sales by reducing import quotas. Also, Ecuador is considering regulations requiring future imports of tallow to be denatured to prevent use in edible products.

The United States has been Ecuador's principal tallow supplier in recent years. January-September 1968 imports were 15,800 tons, of which 87 percent came from the United States. In 1967 imports were 19,500 tons, 63 percent of which was from the United States.

Although tallow from Argentina has a LAFTA tariff advantage in Ecuador, it is not extensively imported. The quality of Argentine tallow bought by Ecuador in 1967 was reported as considerably below U.S. standards.

Practically all of Ecuador's blond tobacco leaf and cigarette imports are from the United States. Legal imports of U.S. tobacco and tobacco products during the first 9 months of 1968 were valued at U.S.$2.4 million. In 1967, legal purchases of U.S. tobacco products totaled $3.7 million. It is reported that additional large numbers of U.S. cigarettes enter Ecuador illegally each year.

Ecuador is experimenting with growing Virginia tobacco and seems to be having moderate success. However, even if local production increases substantially, Ecuador will probably need to import large quantities of raw leaf and cigarettes from the United States for many years.

Each year Ecuador buys purebred cattle from the United States in an effort to build up the local beef industry. Beef development has a high priority with the Ecuadoran Government because of the small cattle population of the country, which is not sufficient to supply the domestic market.

A new pilot plan is going into effect in cattle management and importation. Cattle buyers in regions of sufficient grassland who accept technical assistance and control from the Ministry of Agriculture and the National Development Bank can get loans for purchases of breeding stock. Cattle to which loans will apply will be Brahman heifers and bulls and some Santa Gertrudis and Charolais. Imports will be only from countries free of foot-and-mouth disease.

—Based on dispatch from WILLIAM C. BOWSER
U.S. Agricultural Attaché, Quito

Facts about—

Seven Tobacco Markets of Asia and Oceania

Tobacco import needs of Japan, Thailand, Australia, Taiwan, Hong Kong, New Zealand, and Israel have been appraised by a U.S. tobacco-fact-finding mission that visited these countries in late 1968. A brief summary of the mission's findings is given below—country by country, in descending order of their present imports of U.S. tobacco.

Each of the seven countries has a rapidly expanding economy. They rely heavily on imports to supply a growing domestic tobacco-manufacturing industry. Each, except for Hong Kong, produces some of its own tobacco needs. In total, the countries buy around 100 million pounds of U.S. tobacco each year, valued at approximately $80 million.

Japan

A major importer of tobacco and a minor exporter, Japan produces nearly 200 billion cigarettes per year, over 65 percent of which contain some U.S. flue-cured tobacco.

Japan's domestic tobacco production increased from 331 million pounds average in 1960-64 to a record production of 460 million pounds in 1967; the major increase was in flue-cured tobacco. Burley production reached a peak of approximately 31 million pounds in 1965 but has steadily decreased to 21 million pounds in 1968. The country's tobacco exports dropped abruptly in 1967 to around 12 million pounds. Before that, exports had totaled 18 million to 20 million pounds of leaf a year, half of it burley.

Japan is the third largest customer for U.S. tobacco (after the United Kingdom and West Germany), taking an average of around 40 million pounds of the highest quality tobacco in the past few years. Tobacco imports from all sources were 65.3 million pounds in 1967.

Thailand

Thailand is rapidly expanding its tobacco production, especially of flue-cured tobacco. Total production, less than 65 million pounds in 1965, was 90 million pounds in 1968. Production included about 44 million pounds of flue-cured tobacco, about the same amount of dark sun-cured, and 1.3 million pounds of burley.

Most of Thailand's imported leaf comes from the United States. Tobacco imports from the United States exceeded 25 million pounds in the January-to-November period of 1968. Imports are mainly flue-cured tobacco, but burley purchases average around 3.5 million pounds a year. If the current trend continues, Thailand will soon be purchasing 30 million pounds of tobacco annually from the United States.

Australia

The Australian tobacco crop has been rapidly increased under the stimulus of a high import duty (currently US$.80 per pound) and a steadily more stringent manufacturing mixing regulation, which now requires that at least 50 percent local leaf be used by tobacco manufacturers.

Also, in 1966 Australia established a rigid Stabilization Plan under which tobacco farmers were authorized an annual quota of 26 million pounds at an average price of about US$1.22 per pound; the manufacturers are required to take all the quota tobacco. For 1969 the quota has been raised to 28.5 million pounds, possibly with a 20-percent increase in price. As the country's total tobacco consumption is estimated at 49.5 million pounds, the quota requirement will result in the use of local leaf in excess of the official 50-percent mixing requirement. There is pressure from farmers to have the quota increased about half a million pounds per year over the next 5 years.

Of Australia's total tobacco imports—over 23.3 million pounds in 1967—the United States supplies approximately 67 percent. Korea and other new producing areas are now entering the market and both Mainland China and Bulgaria are trying to enter it. Manufacturers believe that leaf purchases from the United States will probably remain at current levels for the next year or so.

Australian tobacco is a rather neutral leaf, but its quality is improving and there is adequate land and labor available for increased production. However, the manufacturers say they are using about the maximum percentage of local leaf consistent with producing acceptable cigarettes.

Taiwan

Taiwan has increased its tobacco production from 32.8 million pounds in 1966 to 44 million pounds in 1968. Also in 1968 about 30 million pounds of home-produced tobacco was consumed domestically. About 25 percent of production was exported; West Germany was the leading customer.

The country's tobacco imports increased from about 4.8 million pounds in 1966 to some 13.8 million pounds in 1967. U.S. tobacco exports to Taiwan zoomed from 2.5 million pounds in 1964 to about 7 million pounds in 1968. Increasing amounts of Thai leaf and Korean leaf are also being imported.

Hong Kong

Hong Kong has no tobacco production. Its imports in 1967 amounted to about 15.3 million pounds. The United States has long been the largest supplier, providing about 40 percent of the market in the past few years. However, amounts purchased from the United States dropped off sharply from over 8 million pounds in 1965 to around 5 million pounds in 1968—as total tobacco imports dropped. A drop in imports from Rhodesia has partially been made up by increases in imports of tobacco from Korea, Malawi, and Mainland China.

New Zealand, Israel

New Zealand currently produces about 5.4 million pounds of flue-cured tobacco and around 125,000 pounds of burley. Available land and better yields could increase production by 50 percent, but this is unlikely in the near future.

New Zealand has always purchased the bulk of its tobacco imports from the United States. Of total imports of 7 million pounds in fiscal year 1968, 4.67 million pounds came from the United States—all high-quality leaf. Increasing interest is being shown in tobaccos from Korea, Thailand, Malawi, and South Africa because of price considerations, but it is

generally considered that imports from these countries will increase only slightly in the near future because of the neutral character of their tobaccos. The current import duty on tobacco is about US$.37 per pound.

New Zealand cigarette manufacturers are required to use at least 30 percent of local tobaccos in cigarettes, but most of them use around 50 percent. U.S. leaf must be blended with local tobacco to produce quality cigarettes. The manufacturers consider the quality of local tobacco just below that of Rhodesian and Canadian tobaccos. Rhodesian tobacco, once a strong competitor of U.S. tobacco for New Zealand's import market, is, of course, not being imported.

Israel's production of tobacco is currently around 4 million pounds, mainly the oriental type. Total annual imports exceed 5 million pounds, also mostly oriental.

However, the trend in smoking in Israel is toward the American-blend type cigarette containing U.S. flue-cured and burley tobaccos. Imports of U.S. unmanufactured tobacco have been increasing for the past few years and now stand at over 1 million pounds annually.

Representatives of the U.S. leaf tobacco industry who made up the tobacco-fact-finding mission were: John N. Lockany, John M. J. Holliday, David J. Williams, L. L. Gravely, Jr., R. W. Tuggle, and Fred G. Bond. Claude G. Turner and LeRoy Hodges, Jr. of the U.S. Department of Agriculture accompanied the group.

Portugal's Mixed-Feed Industry Expands

By FORD M. MILAM
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A natural outgrowth of Portugal's recent increased emphasis on production of more and better livestock products has been the rise in production of high-energy mixed feeds. Since July 1967, the expansion has been spurred by a national law that rigidly regulates the manufacture and marketing of these feeds.

From 1961 to 1967, the output of mixed feed in Portugal rose from about 135,000 metric tons a year to about 800,000 tons. Of the 1967 total, some 700,000 tons were manufactured in commercial feed plants; the remainder was compounded on individual poultry, dairy, and swine farms.

The present forecast—based on trade data and other reliable sources—is for Portuguese annual mixed feed production to reach 1 million tons by 1970-71, or sooner. If this expected expansion occurs, Portugal will be in the market for greater imports of feed ingredients. Domestic production of these ingredients is nearly stationary, falling far short of even current needs.

Prospects for increasing sales of U.S. tallow, grain sorghum, corn, and soybeans to supply part of Portugal's mixed-feed ingredients look promising, but competition from other exporting countries could shade this outlook.

Modern mixed-feed mills—like this one in Tomar—will dominate in the future. Mill-licensing standards are set by law.

Trend to larger mills

Although the mixed-feed industry began in a number of small mills scattered throughout the country and small mills still constitute over half the total number, the trend is toward fewer mills of greater capacity. Responsible for this trend are increased labor costs, the high price of feed components, and the 1967 law that established the standards for licensing new mills. It is predicted that under this law, small inefficient mills will be eliminated and the smallest commercial mill that will be constructed in the future will have an annual capacity of at least 12,000 tons a year.

In 1966-67, 100 mills produced 600,000 metric tons of mixed feed; over half the output came from the 5 largest mills with annual capacities ranging from 20,000 tons to 100,000 tons a year. Sixty-five of the mills had a 3,000-ton capacity or less.

The 1967 legislation regulating the industry specifies certain equipment and storage facilities required in new mills, defines precisely the characteristics of each component in the feed for each class of animal, requires that each mill have a technical director with an appropriate university degree, and sets up a permanent Animal Nutrition Commission to coordinate research, supervise standards, and regulate the use of feed additives.

One effect of the law already noticeable is that mixed-feed users are rapidly gaining confidence in the commercial products. This could help the industry grow even more rapidly.

Why feed needs are rising

Portugal's per capita meat consumption rose from 43 pounds per year in 1955 to 56 pounds in 1965. In the same period, per capita egg consumption rose from 7 pounds to 8.4 pounds and per capita milk consumption from 48 pounds

Dairy cows, such as those on legume pasture at left, and swine and poultry are the main consumers of Portugal's mixed feeds. Left below, mixed feeds are replacing acorns and squash for production of lean pork. Below, packing young chicks for shipping on a Portuguese poultry farm.

to 78 pounds. The demand for these animal foods still continues to rise as a result of increasing tourism and further industrialization.

To supply this demand and reduce imports of livestock products, the government's current policy is to actively promote the expansion of domestic livestock production. Parts of the overall goal are: increased beef production; drastic reduction in the dairy herd but increased production per animal; development of an efficient lean-pork industry; and expanded, more efficient poultry production. Nearly one-fourth of the funds to be allocated to agriculture under Portugal's Third Development Plan for 1968-73 is slated to go to develop livestock and forage.

Increasing and more efficient livestock production will result in a demand for feed concentrates and grains greater than can be supplied from domestic output.

Although first preference as a supplier of Portugal's feed ingredient needs goes to its Overseas Provinces, the United States has had a good share of the market in the past. In 1967, Portugal imported from the United States some 80,000 tons of corn, 40,000 tons of grain sorghum, 9,000 tons of soybean meal, and 8,000 tons of tallow.

Prospects for future sales of these commodities look promising, but U.S. corn sales will depend on production in the Overseas Provinces and possibly competition from Brazil. Although the Overseas Provinces have been supplying about 100,000 metric tons of corn for the past few years, this may not continue because of the rapid rise in the use of corn within the Provinces.

A small market for imported soybeans may be created by the opening next summer of Portugal's first soybean crushing mill, a plant with a 50,000-ton annual capacity. There are indications that this small market could be dominated by the United States, unless a challenge from Brazilian soybeans materializes; the first 10,000 tons of U.S. soybeans arrived in Portugal in December 1968.

Although the dairy, poultry, and swine industries will continue to be the principal users of mixed feeds in the near future, more feed will be going into the growing beef production. Portuguese beef production from 1957 to 1966 grew from 23,000 tons to 53,000 tons; cow's milk production increased from 318,000 tons to 368,000 tons; poultry meat production rose from 12,000 tons to 43,000 tons, and pigmeat production remained at about 50,000 tons.

The reason that an increase in the use of mixed feed for swine has had no corresponding effect on the volume of pigmeat is that the old system (up to 1962) of producing fat pork fed principally on acorns and pasture has been replaced by production of lean hogs which are fed on commercial mixed feeds.

CROPS AND MARKETS SHORTS

Weekly Report on Rotterdam Grain Prices

Between February 5 and February 12, 1969, changes in wheat offer prices were mixed in Rotterdam. U.S. Hard Winter and USSR 121 wheat decreased 1 cent. U.S. Soft Red Winter increased by 1 cent and Canadian Manitoba by 2 cents. Argentine and U.S. Spring remained unchanged.

U.S. corn decreased by 1 cent; Argentine corn remained unchanged; and South African was not quoted.

Item	Feb. 12	Feb. 5	A year ago
	Dol. per bu.	*Dol. per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba	2.05	2.03	2.06
USSR 121	1.94	1.95	1.93
U.S. No. 2 Dark Northern Spring 14 percent	1.90	1.90	1.97
U.S. No. 2 Hard Winter 14 Percent	1.90	1.91	1.86
Argentine	1.84	1.84	1.81
U.S. No. 2 Soft Red Winter	1.74	1.73	1.78
Corn:			
U.S. No. 3 Yellow	1.38	1.39	1.42
Argentine Plate	1.42	1.42	1.58
South African White	(1)	(1)	1.47

[1] Not quoted.

Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

U.S. Cotton Exports by District

United States cotton exports totaled 4,361,000 bales (480 lb. net) in 1967-68 (August-July), compared with 4,832,000 bales in 1966-67. In the 1967-68 season, approximately 95 percent of U.S. raw cotton exports moved through five customs districts. These five districts with percentage of total exports (1966-67 percentage in parentheses) were: Galveston 62 (40); Houston 16 (13); New Orleans 8 (18); Los Angeles 5 (10); and Michigan 3 (6).

Nearly one-fourth of the cotton shipped from the Galveston and Houston districts was destined for European countries, while more than two-thirds of the shipments from those two ports went to the Far East. Approximately two-fifths of the cotton shipments from the New Orleans district went to Europe, whereas slightly more than one-half of the exports were scheduled for the Far East. A little more than four-fifths of the total cotton exports from the West Coast went to the Far East, with about one-half of the total destined for Japan and India. All of the cotton that moved through the Michigan district went to Canada.

Transshipments of Mexican cotton through the United States most through Brownsville, Tex., continued downward during the 1967-68 season. They totaled only 28,000 bales (480 lb. net), compared with 69,000 bales a year earlier and the 1960-64 average of 432,000 bales. A decade ago over one-fifth of Mexico's cotton exports were moved in bond through U.S. ports for foreign destinations; however, in 1967-68 less than 3 percent of Mexico's total cotton exports were transshipped through the United States (excluding rail shipments to Canada). Transshipments have declined as a result of Mexico's expanded port facilities. Also contributing to the decline has been the reduced crop in Tampico in the past two seasons.

U.S. Tallow and Grease Exports Up

Exports of inedible tallow and grease from the United States totaled 2,237 million pounds in 1968, up about 1 percent from the preceding year's 2,221 million. Exports last year in terms of quantity were exceeded only by the 1964 high of 2,408 million pounds, but in terms of value per pound was the lowest in the past decade. The average export price in 1968 was 6 cents per pound compared with 7 cents in 1967 and slightly over 9 cents for 1965. The total value of tallow exports in 1968 amounted to $134.4 million, down $22.9 million from 1967.

The United States continues to be the world's largest exporter of tallow and grease, accounting for about two-thirds of the volume entering international trade. Exports of hog grease, which represents about 6 percent of total U.S. exports of inedible tallow and greases, were up 9 million pounds from the 1967 level of 130 million. Greater supplies and lower prices for greases were the chief factors behind increased exports in 1968.

Japan continues to be the principal export market for U.S. inedible tallow and grease, accounting for one-fourth of total exports. Shipments to this country in 1968 totaled 560 million pounds compared with 557 million in 1967.

Shipments to the EEC continued their downward trend from the early 1960's. Exports to this market last year totaled 379 million pounds, down almost 5 percent from the 398 million in 1967 and about 30 percent below the 1961-65 average of 539 million. This is the result of increasing livestock production in the EEC's attempt to attain self-sufficiency. Total exports to other Western and Eastern European countries also continued to decline. However, exports to Spain, Portugal, and Poland were larger than in 1967.

Exports to South America rose to 157 million pounds from 113 million in 1967. Larger shipments to Colombia, Ecuador, Peru, and Venezuela accounted for the increase. Shipments to Africa were up slightly from the previous year, with larger exports to Algeria, Morocco, Ghana, and the Republic of South Africa more than offsetting reduced shipments to the United Arab Republic. Exports to all Asian countries last year were all larger except those to India and Taiwan. Shipments to India dropped to 155 million pounds from 258 million for 1967.

Shipments under Public Law 480 programs during January-November 1968 totaled 286.4 million pounds, compared to 229.0 million forfull calendar year 1967. These shipments are destined principally to India, Pakistan, South Korea, and Taiwan.

Total exports of inedible tallow and grease in 1969 should be moderately higher reflecting continued heavy supplies.

Prices however, are expected to continue to be under pressure. Shipments under Public Law 480 programs are also expected to be larger than those in 1968.

U.S. EXPORTS OF INEDIBLE TALLOW AND GREASES[1]

Continent and country	Average 1961-65	1966	1967	1968[2]
	Million pounds	*Million pounds*	*Million pounds*	*Million pounds*
North America:				
Canada	28	15	12	10
El Salvador	13	13	13	23
Guatemala	17	22	31	40
Honduras	4	5	7	14
Mexico	4	6	4	12
Dominican Republic	7	13	14	13
Haiti	9	10	13	15
Jamaica	5	9	7	8
Other countries	3	6	9	9
Total	90	99	110	144
South America:				
Colombia	26	19	43	57
Ecuador	23	37	26	41
Peru	29	31	24	34
Venezuela	17	19	19	23
Other countries	8	4	1	2
Total	103	110	113	157
Europe:				
EC:				
Belgium	22	15	13	12
France	18	9	28	6
Germany, West	91	77	51	62
Italy	183	150	114	105
Netherlands	225	184	192	194
Total EEC	539	435	398	379
Portugal	9	15	20	31
Spain	99	120	107	114
Switzerland	35	22	36	15
United Kingdom	42	62	56	58
Poland	82	37	32	44
Yugoslavia	24	2	6	—
Other countries	18	11	7	9
Total	848	704	662	650
USSR	121	83	—	—
Africa:				
Algeria	8	24	20	29
Morocco	22	28	24	32
UAR (Egypt)	94	93	129	102
Ghana	12	14	34	44
Guinea	1	1	1	3
Ivory Coast	4	2	15	(3)
Nigeria	1	2	7	6
Senegal	1	2	4	9
South Africa, Republic of	31	22	18	33
Other countries	5	6	2	2
Total	179	194	254	260
Asia:				
Iran	31	33	38	49
Turkey	32	64	5	14
China, Rep. of	42	48	51	49
India	19	28	258	155
Japan	390	496	557	560
Korea, Republic of	34	54	62	73
Pakistan	48	35	88	101
Philippines	20	12	14	16
Other countries[4]	9	12	9	9
Total	625	782	1,082	1,026
Total World	1,966	1,972	2,221	2,237

[1] Includes inedible tallow, animal greases, animal oils, and choice white grease. [2] Preliminary. [3] Less than 500,000 pounds. [4] Includes shipments to Oceania.

Bureau of the Census.

1968 U.S. Meat Imports Subject to Quota

U.S. meat imports subject to quota restrictions in 1968 totaled 1,001.0 million pounds. This level was 12 percent more than for the same period in 1967 when imports totaled 894.9 million pounds. Imports during December 1968 amounted to 35.6 million, down 51 percent from those in December 1967.

U.S. IMPORTS OF MEAT SUBJECT TO MEAT IMPORT LAW (P.L. 88-482)

Imports	December	Jan.-Dec.
	Million pounds	*Million pounds*
1968:		
Subject to Meat Import Law[1]	35.6	1,001.0
Total beef and veal[2]	58.6	1,127.8
Total red meat[3]	89.0	1,556.5
1967:		
Subject to Meat Import Law[1]	72.4	894.9
Total beef and veal[2]	77.0	979.0
Total red meat[3]	117.6	1,373.2
1966:		
Subject to Meat Import Law[1]	66.0	823.4
Total beef and veal[2]	72.6	893.3
Total red meat[3]	103.9	1,291.2

[1] Fresh, chilled and frozen beef, veal, mutton and goat meat. [2] All forms, including canned and preserved. [3] Total beef, veal, pork, lamb, mutton and goat.

Guyana Sugar Crop Decreases

Guyana's sugar output in 1968 totaled 316,848 long tons (354,870 short tons). This was 10.7 percent lower than the target of 355,000 long tons originally set for the year and 7.8 percent below the previous year's output. Heavy rains in the first part of the year caused the spring crop to yield cane of poor juice quality. Output in the second half of the year was hampered by labor unrest, as well as heavy rains.

An increase in sugar production during 1969 to 360,000 long tons (403,000 short tons) is anticipated.

1968 U.S. Honey Crop Again Low

The United States had a short honey crop in 1968 for the second year in a row. At 200 million pounds, the 1968 crop showed a 23-million-pound drop from output in 1967.

These 2 years of undersized harvests have also seen a decrease in exports and an increase in imports. In 1967 exports totaled 11.7 million pounds, compared with 14.4 million in 1966. The 1968 export total will probably be even less, although final figures are not yet available. Imports, meanwhile, rose from 9.5 million pounds in 1966 to 16.8 million in 1967. Imports during 1968 are estimated at 17-18 million pounds. Imports are expected to continue at a high level until the United States has a larger crop.

Japan's Tobacco Industry Slows

The tobacco industry in Japan, the third largest importer of U.S. flue-cured leaf, is continuing to grow but at a slower rate than in recent years.

Domestic leaf tobacco production in 1968 is estimated by the Japan Tobacco Monopoly at 427.7 million pounds, down 6.7 percent below the 1967 crop but about 28 percent above the 1960-64 average. Planned acreage for the 1969 season is about 5 percent below the planted area in 1968. This reflects

the Japan Monopoly Corporation's continued policy to try to reduce stocks of domestic leaf to more manageable levels and improve domestic leaf quality.

Producer prices for the 1968 crop were increased an average 5.3 percent over the previous crop with the farm price for higher quality leaf rising more than for other leaf. The Monopoly has announced that the producer price for leaf from the 1969 crop will be increased an average 4.6 percent over the average support price for the 1968 crop. Flue-cured leaf will be supported at an average 75.1 U.S. cents per pound and burley leaf at an average 52.3 cents per pound.

Sales of domestically produced cigarettes during the first half of apan's 1968-69 fiscal year (April-September) reached 99 billion pieces, about 1 percent over production during the same period a year earlier. In recent years increases have been about 6 percent per annum. A 2.8–cent increase in the retail prices of cigarettes per pack of 20, which became effective May 1, 1968, is apparently dampening the rate of gain.

Over half of the leaf tobacco imported by Japan is of U.S. origin. Most of the remainder comes from India, Turkey, Greece, and Thailand. During 1968, U.S. tobacco exports to Japan were 48.8 million pounds of which 41.9 million were flue-cured leaf and about 7 million pounds were stems or scrap. In 1967 U.S. flue-cured exports to Japan were 26.3 million pounds, roughly equal to the 1960-64 average.

Zambia Expects Larger Tobacco Crop

With sanctions continuing on Rhodesian trade in major world tobacco markets, other African countries are showing more interest in tobacco production and trade. Zambia, with a tobacco crop consisting largely of flue-cured and small quantities of burley and oriental, is one such area.

Overall tobacco production in 1968 at 14.8 million pounds was up moderately over that of 1967, but still below the level of the previous 5-year 1962-66 period and the level earlier projected for 1968. Unfavorable weather conditions held agricultural production throughout Zambia below original forecasts for 1968.

Flue-cured sales in 1968 amounted to 13.8 million pounds and returned a value of about U.S.$5.9 million at an average of 42.8 cents per pound. Sales of the 10.7-million-pound 1967 crop returned an average of 61.4 cents per pound. (Zambia's currency was devalued in January 1968 from U.S.$2.80 to $1.40.) Burley sales in 1968 totaled 625,000 pounds for an average of 25.1 cents per pound, compared to 605,000 in 1967.

During 1968 an Agricultural Development Corporation was founded to spearhead agricultural development in Zambia, and early reports showed a favorable influence on flue-cured production, which was forecast to increase. However, a curb on bank loan facilities resulted in a smaller than expected acreage for 1969. The support price of about 28 cents per pound on burley will continue this season, however, and the crop may reach the one-million-pound mark.

Most of the tobacco, Zambia's leading agricultural export, is sold to the United Kingdom and in accord with Commonwealth trade agreements which give it a duty preference. During 1968 the United States imported 489,000 pounds of tobacco from Zambia of which 317,000 was classified as flue-cured or burley cigarette leaf. In 1968 Zambia, which is seeking to expand export trade, sent a trade mission to a number of countries to promote products including tobacco.

London Prices, Canned Fruits and Juices

Selling prices in London (c.i.f. unless otherwise indicated) of selected canned fruits and juices are shown in the following table. Price levels, unchanged from October 1968, are expected to be increased when new pack 1969 prices for Australia and South Africa are announced.

Type and quality	Size of can	Price per dozen units Jan. 1968	Oct. 1968	Jan. 1969	Origin
CANNED FRUIT		*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	
Apricot halves:					
Fancy	2½	—	2.82	2.82	South Africa
Choice	2½	—	2.94	2.94	Australia
Do	2½	—	2.70	2.70	South Africa
Not specified	15 oz.	—	1.44	1.44	Spain
Fruit cocktail:					
Choice	303	—	2.48	2.48	United States
Do	2½	—	3.72	3.72	Australia
Fruit salad:					
Choice	15 oz.	—	1.74	1.74	Spain
Peaches, clingstone halves:					
Fancy	2½	—	3.03	3.03	Australia
Do	2½	—	2.82	2.82	South Africa
Choice	2½	—	2.91	2.91	Australia
Do	2½	—	2.70	2.70	South Africa
Pears:					
Fancy	2½	—	3.12	3.12	Australia
Choice	2½	—	5.70	5.70	United States
Do	2½	—	3.00	3.00	Australia
Do	2½	—	2.85	2.85	South Africa
Not specified	15 oz.	—	1.64	1.64	Italy
Pineapple slices:					
Fancy	2½	—	[1] 3.73	[1] 3.73	United States
Do	16 oz.	1.68	1.68	1.68	South Africa
Choice	16 oz.	1.57	1.44	1.44	Malaya
Grapefruit sections:					
No. 2	20 oz.	2.10	2.34	2.34	Israel
CANNED JUICE					
Grapefruit, unsweetened	43 oz.	2.76	2.97	2.97	Israel
Orange, unsweetened	43 oz.	2.94	3.03	3.03	Israel

[1] Landed duty paid.

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Trading Nations Reverse Meat Consumption Trends

The past decade has witnessed a shift in patterns of meat consumption in trading countries; people in supplying nations are eating less and those in meat importing countries are eating more. Changing production, demands, and per capita incomes have all had a part in the shift.

Three countries—Argentina, Australia, and New Zealand—accounted for 64 percent of world beef and veal exports during 1956-60. During that same period, the three major importers—the United States, the United Kingdom, and the EEC—accounted for approximately 77 percent of world beef and veal imports. From the base period until the present, average per capita beef and veal consumption declined 11 percent in the major exporting countries and increased 19 percent in the major importing countries. As a result, the difference in per capita consumption between the two has narrowed from 97 pounds per person in the 1956-60 average to 66 pounds in 1967.

Only New Zealand and the United Kingdom were minor exceptions to the general trends. New Zealand was the only one of the major beef exporters in which beef consumption increased—up only about 4 pounds per person. Of the major importing countries only the United Kingdom failed to show a gain in per capita consumption, primarily because of severe balance of payments problems, devaluation of the pound, and various austerity programs. Over the past decade per capita beef and veal consumption declined 5 pounds per person in the United Kingdom, but total red meat consumption has increased from 127 pounds to 138 pounds per person.

During the period 1956-60, per capita beef consumption in the major exporting countries averaged 164 pounds. Beef had practically ceased to be a luxury item and prices were considerably below those in the importing countries. Studies show that increases in consumer incomes in the exporting countries have almost no bearing on per capita beef consumption. Nevertheless, consumers in these countries shift to other meats when the price of beef rises. Beef consumption is more sensitive to changes in consumer incomes in the beef importing countries. For every 10-percent increase in per capita income in the importing countries, per capita beef consumption increases by about 4 or 5 percent. Thus since 1956-60 increases in the demand for beef in the importing countries have caused exports to increase and have had the effect of pulling up beef prices in the exporting countries.

Part of the increase in per capita beef consumption in the major importing countries has been made possible by the expansion in international beef trade. World exports of beef and veal reached a new high of 5.4 billion pounds in 1967, up 64 percent from the 1956-60 average.

BEEF AND VEAL CONSUMPTION

Country	Per capita consumption		Change 1956-60 to 1967
	1956-60	1967	
Major exporters:	*Pounds*	*Pounds*	*Pounds*
Argentina	189	181	— 8
Australia	125	86	—39
New Zealand	105	109	4
Average	164	146	—18
Major Importers:			
United States	91	110	19
United Kingdom	60	55	— 5
EEC	44	56	12
Average	67	80	13

Although international trade in beef has expanded rapidly, domestic production still constitutes the major source of beef for consumption in the importing countries. In the base period, imports accounted for only 5 of the 67 pounds of beef and veal consumed. By 1967 consumption was 13 pounds higher—11 pounds from domestic production and only 2 pounds from imports. Thus imports accounted for only 7 of the 80 pounds of beef and veal consumed in the major importing countries.

There are some signs that this general trend could be leveling off. Most European countries now have programs aimed at greater self-sufficiency, and the United States has negotiated voluntary import restrictions in 1969 with the major suppliers of meat subject to the 1964 Meat Import Law. Also, consumers in the major exporting countries are slowly adjusting to the higher beef prices, which may help slow the declining trend in per capita beef consumption. Some of the major exporting countries, notably Australia, are launching promotion programs with this objective to decrease their dependence on the export market.

—WAYNE W. SHARP
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